

(c) Producer's hogs must be supervised by a licensed veterinarian and Producer must properly use any applicable drugs and adhere to required withdrawal procedures thereto. Producer must be on the Pork Quality Assurance Program, a HACCP program of America's Pork Producers. Producer must be at Level III of such PQA Program and must obtain the highest Level of such PQA Program established in the future within six months of the Program change establishing such Level. Producer must also comply with any HACCP program established by Hormel Foods, and any change in such a program, within six months of the establishment of the program or the change.

(d) Producer must use an approved feeding program and Hormel Foods may inspect Producer's hogs and facilities during reasonable business hours on reasonable notice to Producer. The use of Hormel Foods' feed is not required, but the Producer agrees to listen objectively to Hormel Foods' feed presentations.

(e) Producer must at all times be able to demonstrate its financial soundness to Hormel Foods and to provide evidence thereof upon the request of Hormel Foods. Producer must demonstrate at all times the ability to produce hogs in the quantity and of the quality required during the term of this Agreement. Hormel Foods shall have access to all cost and financial records of Producer relating to this Agreement subject to reasonable notice from Hormel Foods to inspect during normal business hours. Producer must use a Hormel Foods approved cost and recordkeeping system.

(f) Producer agrees to provide Hormel Foods a complete set of Producer's financial statements and production information on an annual basis and at any time upon demand by Hormel Foods.

(g) Producer agrees to promptly execute and deliver to Hormel Foods from time to time, as requested by Hormel Foods in its discretion, such security agreements, financing statements under the Uniform Commercial Code and other instruments as may be necessary or appropriate to grant Hormel Foods a security interest in tangible assets of Producer. The fair market value of such tangible assets, after reduction for obligations to third parties secured by other security interests or liens in such assets, shall be sufficient to secure Producer's obligations under this Agreement and shall at all times be at least equal to any Negative Cash Balance. Such security interest shall be on written terms reasonably determined by Hormel Foods. Producer agrees that in the event Producer breaches its obligations under this paragraph 5.(g), Hormel Foods shall, in addition to all other remedies, be entitled to a decree of specific performance requiring Producer to perform its obligations under this paragraph 5.(g).

6. DEFAULT; TERMINATION.

(a) For purposes of this Agreement, a default by a party shall be deemed to have occurred if (1) such party breaches this Agreement and such breach remains uncured twenty (20) days after receipt from the non-defaulting party of a written notice specifying the alleged breach, (2) such party manifests an intention not to perform any material obligation under this Agreement, including without limitation taking any action which manifests an intention not to deliver hogs or accept hogs, or manifests an intention not to cure a material breach of this Agreement, (3) such party becomes insolvent, suspends or discontinues business operations, makes an assignment for the benefit of creditors, commences voluntary or has commenced against them involuntary bankruptcy proceedings, or voluntarily appoints or involuntarily has appointed a receiver, trustee or liquidator of all or any part of their property, or (4) such party defaults in the performance of any loan agreement with its lender(s), including without limitation noncompliance with financial covenants, regardless of whether such default is declared by the lender(s). Each party agrees to promptly provide the other party written notice of any default by such party under any loan agreement with its lender(s), regardless of whether such default is declared by the lender(s), and to immediately provide the other party a copy of any notice of default such party receives from its lender(s). Any such notice of default by a party in